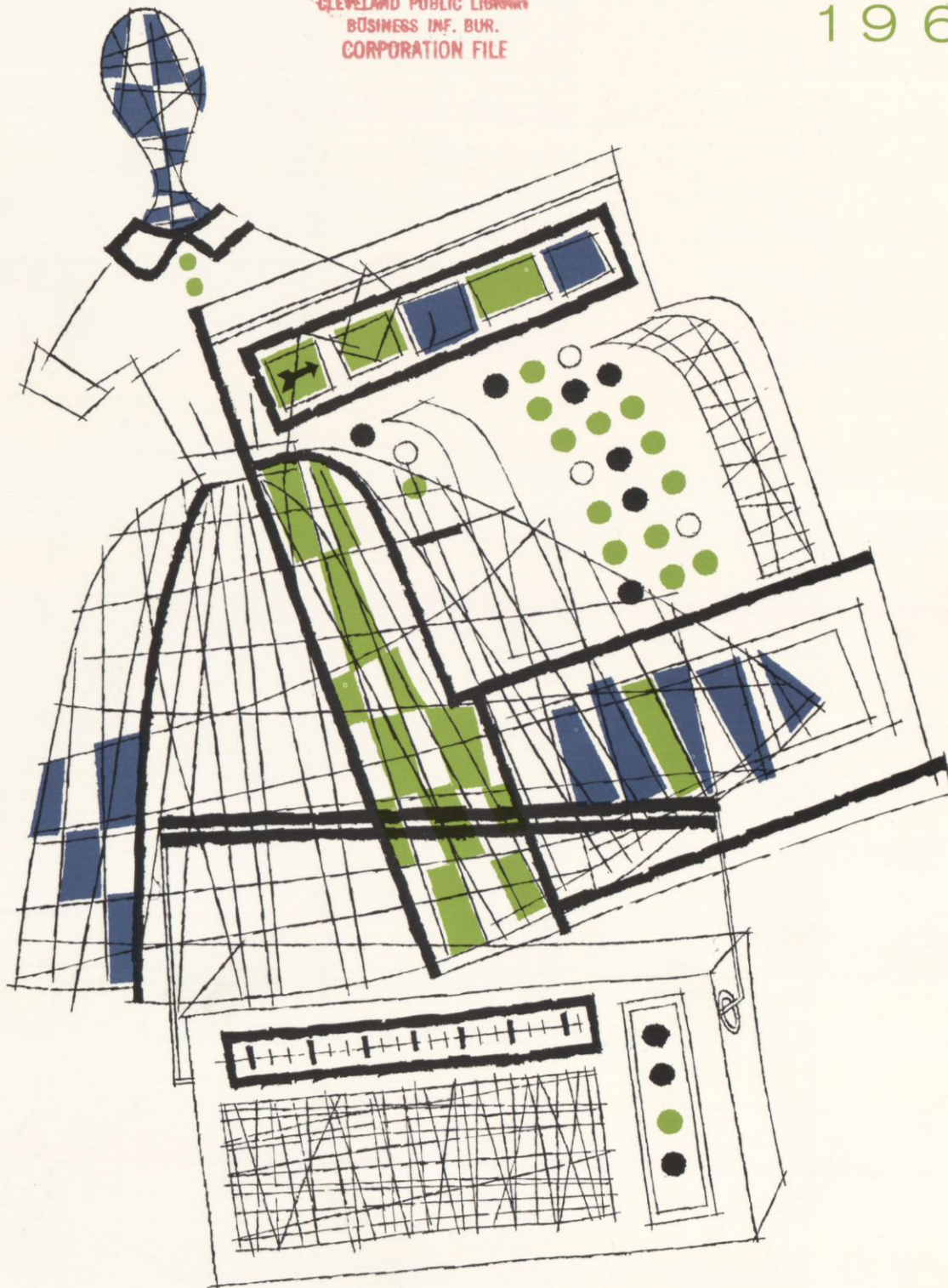


# INTERSTATE DEPARTMENT STORES, INC.

ANNUAL  
REPORT

1964

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Year Ended January 31, 1965



INTERSTATE  
DEPARTMENT  
STORES, INC.

Annual Meeting  
*Fourth Wednesday in May*  
Shares Listed  
*New York Stock Exchange—ISD*

**DIRECTORS**

Sam J. Abend	Emanuel P. Lewis
Sol W. Cantor	M. Lester Mendell
Harry Epstein	Albert Parker
Barry Golden	Paul D. Preger
Julian Lavitt	Murray D. Safanie
Selwyn Lemchen	Harold J. Szold

**OFFICERS**

Murray D. Safanie, *Chairman of the Board*  
Sol W. Cantor, *President*  
Sam J. Abend, *Vice President*  
Harry Epstein, *Vice President*  
Julian Lavitt, *Vice President*  
Selwyn Lemchen, *Vice President*  
Barry Golden, *Vice President*  
Albert Parker, *Secretary*  
Edward C. Schenkel, *Treasurer and Assistant Secretary*

**TRANSFER AGENT**

The Chase Manhattan Bank, N. Y.

**REGISTRAR**

Manufacturers Hanover Trust Co., N. Y.

**GENERAL COUNSEL**

Parker, Chapin and Flattau, N. Y.

**AUDITORS**

S. D. Leidesdorf & Co., N. Y.

**EXECUTIVE OFFICES**

111 Eighth Avenue, New York, N. Y.



# INTERSTATE DEPARTMENT STORES, INC.

Annual Report 1964

## SEVEN YEAR FINANCIAL REVIEW

(in millions)

	1964	1963	1962	1961	1960	1959	1958
Total Sales	\$384.9	\$311.2	\$222.8	\$165.2	\$114.3	\$90.3	\$65.7
Discount Store Sales	330.7	256.4	167.5	108.5	55.3	26.6	0.7
Conventional Store Sales	54.2	54.8	55.3	56.8	59.1	63.7	65.0
Net Income before Taxes	11.1	7.1	5.2	3.8	2.4	2.3	1.0
Net Income after Taxes	5.9	3.9	2.9	2.1	1.5	1.4	0.6
Earnings per Share*	\$ 1.98	\$ 1.48	\$ 1.11	\$ .80	\$ .59	\$ .58	\$ .28
Dividends per Share—Cash*	.45	.29	.23	.20	.17	.17	.13
Stock Dividends (Declared)	4%	4%	4%	2%	5%	3%	3%
Stock Splits	2-for-1	—	—	3-for-1	—	—	—
Working Capital	\$ 37.6	\$ 28.3	\$ 14.8	\$ 14.9	\$ 10.7	\$12.8	\$13.6
Current Ratio	2.1	2.1	1.5	1.9	1.7	2.6	3.6
Fixed Assets	\$ 12.9	\$ 9.6	\$ 9.8	\$ 8.3	\$ 7.7	\$ 6.9	\$ 6.5
Long Term Debt	15.6	15.6	6.0	7.0	3.3	3.7	5.0
Stockholders' Equity	40.6	26.4	23.2	20.6	18.9	17.1	15.6
Number of Discount Stores	58	51	44	25	20	5	1
Number of Conventional Stores	32	34	36	37	41	46	46

\*Based on average number of shares for each year, adjusted to give effect to all stock dividends and splits distributed through January 31, 1965.

## TO OUR STOCKHOLDERS:

Last year was another excellent year for your Company. Sales and earnings set new record highs, marking the sixth consecutive year in which both surpassed any prior year.

It was a good year for retailing in general. It was a better year for the discount retailers. For Interstate, it was the best in its history, financially and in other respects as well.

Sales for the year ended January 31, 1965 rose to \$384.9 million, an increase of approximately 24 per cent over the prior year's record of \$311.2 million. This compares with a nationwide gain of about 8 per cent in sales for all department stores and approximately 18 per cent in sales for all discount stores.

Net earnings rose to \$5.9 million. This represents a 52 per cent increase over 1963's earnings which totaled \$3.9 million. Earnings before taxes showed an even greater increment, rising to \$11.1 million from \$7.1 million.

On a share basis, earnings rose to \$1.98 per share, based on an average of 2,993,028 shares outstanding, from \$1.48 a share in 1963, based on an average of 2,637,492 shares. The average shares outstanding for both periods give effect to the 2-for-1 stock split and 4 per cent stock dividend paid in 1964.

The return to stockholders on their investment was substantially improved during the year in line with the Company's favorable sales and earnings trend. A 2-for-1 stock split was declared last October, and the annual dividend rate was increased to 45 cents a share from 35 cents a share based on the increased number of shares outstanding. At the end of the year, a 4 per cent stock dividend was declared.

Since 1958, the last year prior to Interstate's entrance into discount retailing, the Company has paid stock dividends at the end of each year and has split its stock on two occasions, 3-for-1



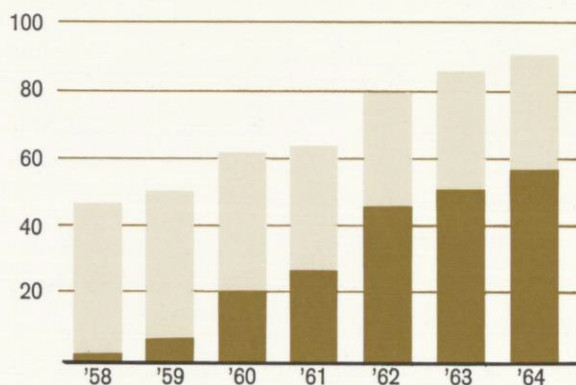
in 1961 and 2-for-1 last year. As a result, 100 shares purchased in 1958 have increased to 761 shares today.

The 1964 payment of dividends represents the Company's twenty-fifth consecutive annual cash dividend and seventh consecutive annual distribution of stock dividends.

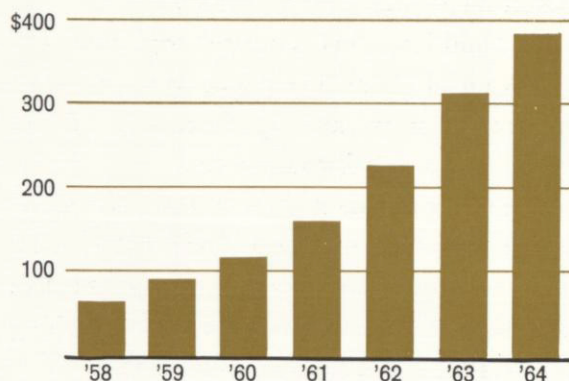
In the spring of 1964, Interstate issued 200,000 shares of stock at a price of \$48.25 per share. The net proceeds to the Company totaled \$9.2 million and were added to working capital for use in financing the opening of new discount department stores.

Though this issue increased the number of

**STORE EXPANSION**  Conventional Stores  
Discount Stores



**TOTAL SALES** (in millions)





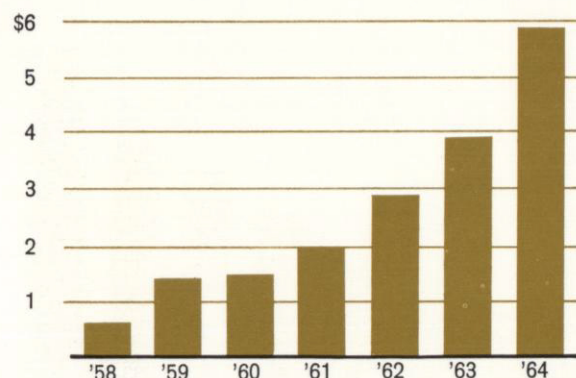
shares outstanding by approximately 15 per cent, the effect of the dilution on per share earnings was greatly overshadowed by the improvement in total profits, which on a dollar basis increased 52 per cent over the prior year, as already reported. After giving effect to the increase in the average number of shares outstanding, earnings

per share were up 34 per cent over 1964.

The Company has never been in a stronger position financially. At year-end, working capital amounted to \$37.6 million, which compares with \$28.3 million a year ago. Stockholders' equity stood at \$40.6 million, an increase of \$14.2 million over 1963.

Interstate's improved performance reflects a combination of factors—higher sales on a store-for-store basis, the opening of new stores and a constant effort to achieve better controls over expenses. In 1964, Interstate was able to earn 22.5 per cent on the equity capital invested in the business at the beginning of the year, compared with 16.8 per cent for the prior year, and 4.2 per cent in 1958, the year before the Company's expansion into the discount field. Interstate strives for the highest possible return on investment consistent with its basic philosophy

#### **NET EARNINGS** (in millions)





of offering the greatest value to customers.

Earnings as related to sales were 1.5 per cent in 1964. This compares with 1.3 per cent in 1963 and 1.0 per cent in 1958.

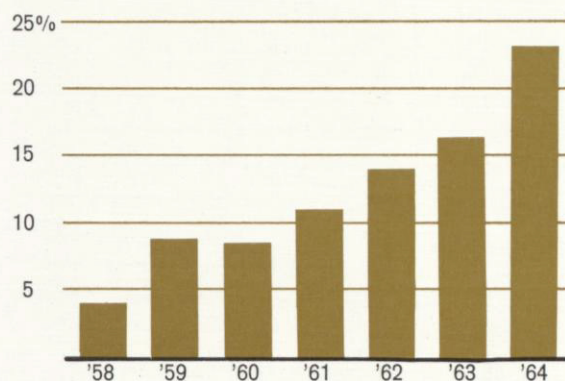
These figures illustrate the essence of discounting: A relatively small return on sales magnified many-fold by a rapid turnover of capital.

Continuing the expansion program that was started in the spring of 1959, Interstate opened seven more discount centers in 1964, expanding the number of discount units to 58 stores. Particular emphasis was centered on the West Coast last year. Four White Front stores were added in California at Ontario, Concord, Sacramento and Sunnyvale. The remaining three new stores, part of the Topps group, were opened in Buffalo, New York and Toledo, Ohio. In the current year, we plan to open approximately 10 new stores.

With regard to our conventional group of department stores, two were closed during the year,

and construction was started on the first new conventional store to be built since 1957. A suburban store, it will be located in a shopping center in Flint, Michigan, and will be our second suburban store in that community. Our conventional stores, which include six suburban units, totaled 32 at year-end.

#### RETURN ON INVESTED CAPITAL





Store improvement and modernization is a continuing program in the retail business and has been a consistent policy at Interstate. Approximately \$2.7 million was spent last year on improvements in both conventional and discount operations. Expenditures for this purpose are likely to increase in the future, reflecting the

growth in the size of our Company and the trend in the discount field to upgrade store appearance.

We are optimistic about the future of discounting. The leaders in the field are stronger financially than ever before, and much progress has been made in perfecting techniques of discounting and establishing more effective controls. We

#### DIVIDENDS AND MARKET VALUE

	1958	1959	1960	1961	1962	1963	1964	1965
Shares Owned*	100	103	106	111	339	352	366	761
Stock Dividends	3%	3%	5%	2%	4%	4%	4%	—
Stock Splits	—	—	—	200%	—	—	100%	—
Market Price*	\$ 23 <sup>1</sup> / <sub>4</sub>	\$ 28 <sup>3</sup> / <sub>4</sub>	\$ 35 <sup>5</sup> / <sub>8</sub>	\$ 60	\$ 42 <sup>1</sup> / <sub>2</sub>	\$ 30 <sup>1</sup> / <sub>4</sub>	\$ 42 <sup>1</sup> / <sub>4</sub>	\$ 28 <sup>3</sup> / <sub>8</sub>
Market Value*	2,325	2,961	3,776	6,660	14,407	10,648	15,463	21,593
Dividend Rate	.625	1.20	1.20	.45	.50	.60	.70	.45
Dividends Paid†	62.50	123.60	126.30	148.35	168.77	209.25	253.75	—
Cash for Fractions	—	—	3.08	14.71	32.35	15.22	3.90	—

\*At beginning of year.

†By end of year.



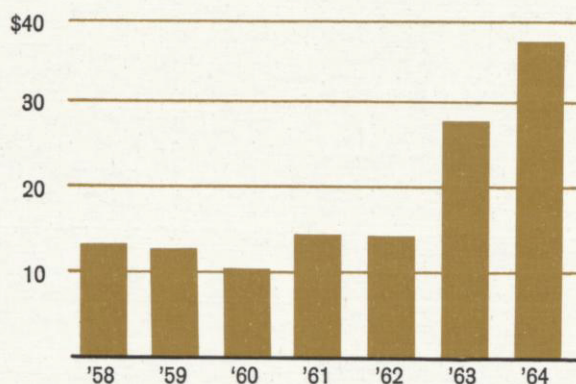
believe the industry will continue to expand at its present rate of close to \$2 billion a year and that its profit performance will show further improvement.

We expect that Interstate's growth trend of recent years will continue and that the current year will produce improvements comparable to

those of prior years.

We wish to take this opportunity to express the appreciation of the Board of Directors and Management for the productive efforts that have been made by personnel of the Company at every level of organization, contributing importantly to Interstate's record of accomplishment.

**WORKING CAPITAL** (in millions)



Sincerely,

*M. D. Safanie* *Sol W. Cantor*

Murray D. Safanie,  
Chairman

Sol W. Cantor,  
President







In this photograph, members of the top management organizations have been grouped by functions.

Starting at the top, to the left of the mannequins, are the merchandising managers responsible for ready-to-wear: Nancy Spiegel, Seymour Grumet, Harry Dvortzoff, Irving Wolfson, Jean Malkin and Ethel Kriloff. To the right are Ben Lerner, merchandise manager for drugs and cosmetics, and Mildred Rosen, whose responsibility includes merchandising housewares, linens, appliances, toys and sporting goods.

Below and to the right are Keith Smith, sales director, and Henry Bader, sales promotion manager. At the extreme left center is the corporate organization. From left to right are Edward C. Schenkel, treasurer; Barry Golden, vice president—real estate; Dan Reit, manager of leased departments; Richard Chalifoux, personnel director; and David Hughes, executive administrator.

The Topps management team is shown on the right hand page. At left is Selwyn Lemchen, vice president and general merchandise manager of the division, and Myron Schmittlinger, director of stores.

Next is Julian Lavitt, vice president and manager of conventional department stores.

In the lower right corner is the White Front management; Harold Natkin, merchandise manager; Harry Epstein, vice president and general manager; and Sam Nassi, sales promotion manager.

In the forefront is Sol W. Cantor, president.

## MANAGEMENT

To most people, self-service conveys an image of a modern, highly automated operation, conspicuous by the absence of clerical help. Actually, only half of that concept is correct. While modern and efficient, a typical self-service store nevertheless requires a sizeable staff of people to run it.

An average Interstate store has a staff of about 100, which at peak times of the year increases to 125 or more. Operating 90 stores, of which approximately two-thirds are discount stores, requires an extensive field organization ranging from 10,000 to 12,500 employees at peak periods.

Directing and managing the efforts of this organization is a highly centralized management group of approximately 22 executives. This group, located mostly in New York, represents such capabilities as merchandising, data processing, finance, law, personnel, real estate, sales promotion and over-all administration.

It is a highly experienced group, with an average of 15 years employment with Interstate and 23 years in the retailing field. It is also a young group, with an average age of 45.

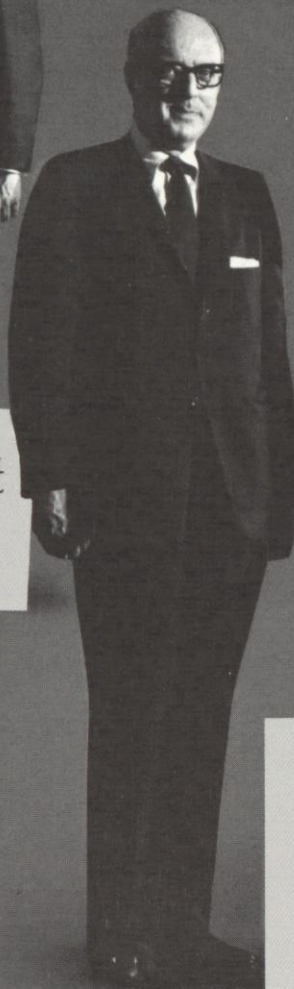
The concept of centralized management is a key feature of Interstate's operating philosophy. The 22 executives who comprise the headquarters group make most of the major administrative decisions.





*Topps*

*Department  
Stores*



*White Front*





## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended January 31, 1965

### Source of Funds

Net earnings .....	\$ 5,922,469
Depreciation and amortization .....	1,259,254
Increase in deferred Federal income taxes .....	245,928
Sale of Common Stock .....	9,173,419
Exercise of employee stock options .....	247,183
Other—net .....	82,268
	<u>\$16,930,521</u>

### Application of Funds

Cash dividends .....	\$ 1,166,779
Fixed assets acquired under modernization and expansion program—net .....	4,627,696
Increase in other assets .....	1,696,239
Increase in working capital .....	9,439,807
	<u>\$16,930,521</u>

*See accompanying notes*



**INTERSTATE DEPARTMENT STORES, INC.**  
and Subsidiary Companies

**CONSOLIDATED STATEMENT OF EARNINGS**

	<b>1964</b> (Year Ended Jan. 31, 1965)	<b>1963</b> (Year Ended Jan. 31, 1964)
Net Sales:		
Owned departments .....	\$280,519,320	\$232,931,122
Leased departments .....	<u>104,348,427</u>	<u>78,221,956</u>
	384,867,747	311,153,078
Cost of Sales (including certain buying, occupancy and distribution expenses) .....	<u>320,688,423</u>	<u>259,091,602</u>
	64,179,324	52,061,476
Selling, General and Administrative Expenses .....	<u>53,714,345</u>	<u>45,614,386</u>
	10,464,979	6,447,090
Other Income—Net .....	<u>1,460,850</u>	<u>1,484,656</u>
	11,925,829	7,931,746
Interest Expense .....	<u>803,360</u>	<u>808,825</u>
Net Earnings before Federal Income Taxes .....	11,122,469	7,122,921
Provision for Federal Income Taxes (including \$437,000 and \$388,000, respectively, of deferred Federal income taxes) (Note D)	<u>5,200,000</u>	<u>3,215,000</u>
Net Earnings .....	<u><u>\$ 5,922,469</u></u>	<u><u>\$ 3,907,921</u></u>

Depreciation and amortization included above amount to \$1,259,254 (1964) and \$1,123,268 (1963).

to financial statements.



## CONSOLIDATED BALANCE SHEET

ASSETS	1964 (Jan. 31, 1965)	1963 (Jan. 31, 1964)
<b>Current Assets:</b>		
Cash (including, in 1964, \$7,500,000 Certificates of Deposit) .....	\$15,523,002	\$ 4,162,839
United States Treasury Bills—at cost, plus accrued interest .....	174,011	59,672
Accounts receivable:		
Customers .....	\$ 8,644,754	\$ 8,628,737
Less: Reserves .....	459,148	447,463
Other .....	2,516,630	2,953,823
Merchandise inventories (Note B) .....	44,092,865	36,183,202
Prepaid expenses .....	1,306,902	1,124,293
Fixed assets held for resale .....	—	1,500,000
Total Current Assets .....	71,799,016	54,165,103
Other Assets (Notes C and I) .....	2,344,217	647,978
<b>Fixed Assets—at cost (Note C):</b>		
Land, land improvements and buildings ..	1,324,197	897,326
Furniture and equipment .....	10,737,914	7,996,969
Leaseholds and leasehold improvements ..	6,562,950	6,027,667
	18,625,061	14,921,962
Less: Reserves for depreciation and amortization .....	5,699,478	5,364,821
Deferred Charges (including pre-opening expenses of \$334,868 and \$353,478, respectively) .....	624,649	9,557,141
Intangibles Applicable to Subsidiaries Acquired (Note A) .....	3,594,198	3,594,198
	<u>\$91,287,663</u>	<u>\$68,610,479</u>

*See accompanying notes*



**INTERSTATE DEPARTMENT STORES, INC.**  
and Subsidiary Companies

<b>LIABILITIES</b>	<b>1964</b> <u>(Jan. 31, 1965)</u>	<b>1963</b> <u>(Jan. 31, 1964)</u>
<b>Current Liabilities:</b>		
Note payable .....	—	\$ 1,150,000
Current installments of long term debt (Note C) .....	\$ 108,352	76,731
Accounts payable—trade .....	22,039,857	15,331,192
Accrued expenses and other liabilities .....	5,699,026	4,616,829
Taxes withheld and accrued, other than Federal income taxes ...	2,070,294	1,929,008
Accrued Federal income taxes (Note D) .....	<u>4,263,260</u>	<u>2,882,923</u>
Total Current Liabilities .....	34,180,789	25,986,683
Deferred Federal Income Taxes (Note D) .....	887,000	641,072
Long Term Debt (Note C) .....	<u>15,580,801</u>	<u>15,619,275</u>
Total Liabilities .....	50,648,590	42,247,030
Stockholders' Equity (Notes C, E, F and H) .....	40,639,073	26,363,449
Lease Commitments and Other Comments (Notes G and I)		
	<u><u>\$91,287,663</u></u>	<u><u>\$68,610,479</u></u>

to financial statements.



## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	1964 (Year Ended Jan. 31, 1965)	1963 (Year Ended Jan. 31, 1964)
Earnings Retained for Use in Business (at the beginning of year) . .	\$14,425,562	\$13,780,323
Net Earnings . . . . .	<u>5,922,469</u>	<u>3,907,921</u>
	20,348,031	17,688,244
Dividends Declared (Note E) . . . . .	<u>4,369,153</u>	<u>3,262,682</u>
Earnings Retained for Use in Business (at the end of year) (Note C)	15,978,878	14,425,562
Capital Surplus (Notes C, E, F and H) . . . . .	20,279,449	9,428,119
Common Stock (stated at par value of \$1 per share, plus \$1,271,306 retained as Capital by resolution of the Board of Directors) (Notes C, E, F and H):		
	Shares	
	<u>1964</u>	<u>1963</u>
Authorized . . . . .	<u>6,500,000</u>	<u>3,000,000</u>
Issued . . . . .	3,070,067	1,274,715
To be issued . . . . .	<u>120,029</u>	<u>49,224</u>
	<u>3,190,096</u>	<u>1,323,939</u>
	4,461,402	2,595,245
	40,719,729	26,448,926
Less—Treasury Stock—at cost—15,276 and 8,138 shares, respectively	<u>80,656</u>	<u>85,477</u>
Stockholders' Equity . . . . .	<u>\$40,639,073</u>	<u>\$26,363,449</u>

*See accompanying notes to financial statements.*



## NOTES TO FINANCIAL STATEMENTS

**Note A** — In the opinion of management, no amortization of intangibles is required, since to date there has been no indication of a loss or a limitation on the useful lives of such intangibles.

**Note B** — Merchandise inventories are stated at the lower of cost or market based principally, as to inventories at stores (\$36,282,144), upon the retail method; the cost of approximately 8% of the inventories is determined by the last-in, first-out method.

**Note C** — Long term debt consists of the following:

5 $\frac{3}{8}$ % Notes payable—insurance companies .....	\$10,000,000
4 $\frac{5}{8}$ % Convertible Subordinated Debentures due August 1, 1981 .....	5,084,400
Other .....	604,753
	15,689,153
Less: Current installments .....	108,352
	<u>\$15,580,801</u>

The 5 $\frac{3}{8}$ % Notes are payable \$500,000 a year from 1967 to 1976 and \$600,000 a year from 1977 to 1983; the unpaid balance is due July 15, 1983. The loan may be prepaid, in whole or in part, at principal amount plus, under certain conditions, a premium of 5.25%, which premium declines annually by specified amounts.

The indenture, under which the 4 $\frac{5}{8}$ % Convertible Subordinated Debentures were issued, requires that the Company pay into a sinking fund, during the years 1968 to 1980, an amount sufficient to redeem each year \$275,000 principal amount of Debentures. The Company may, at its option, pay into such sinking fund an additional amount not to exceed \$275,000 in any year. In addition, the Debentures may be redeemed, in whole or in part, at principal amount plus a premium of 3.875%, which premium declines  $\frac{1}{4}$  of 1% annually.

The Debentures may be converted into Common Stock at a conversion price of \$12.69 a share. During the year, \$78,300 of Debentures were converted into 3,111 shares of Common Stock, resulting in increases in Common Stock of \$3,111 and in Capital Surplus of \$72,066 (net of related unamortized debt discount and expense). Based upon the foregoing conversion price, the outstanding Debentures at January 31, 1965, may be converted into a maximum number of 400,662 shares of Common Stock.

The indenture relating to the Debentures and the loan agreement with the insurance companies contain, among other matters, covenants restricting the right of the Company to declare dividends (other than stock dividends). Under the

most restrictive of these covenants, approximately \$7,650,000 of consolidated surplus and earnings retained for use in the business is not restricted for the payment of dividends (other than stock dividends) as at January 31, 1965.

Included in other long term debt above are obligations which are collateralized by (1) fixed assets having a depreciated cost of \$750,000 and (2) an investment (included in Other Assets in the amount of \$143,002) of a one-sixth interest in a company.

**Note D** — In connection with the Treasury Department's current examination of the tax returns of the Company and its subsidiaries for the years ended January 31, 1960 and 1961, the examining agents have proposed certain adjustments which, if sustained, could result in tax assessments for these and subsequent years. The agents' reports propose, among other things, (1) that certain transactions between a subsidiary and other subsidiaries be taxed as dividends, (2) the disallowance of all New York office expenses that were allocated to one of the subsidiaries, and (3) the reallocation of New York office expenses among the other subsidiaries on a basis different from that used by the Company for several prior years and accepted by the Treasury Department for those years. In the opinion of the Company, these proposed adjustments are improper, but should the additional taxes be assessed on the bases currently being suggested by the Treasury Department in discussions with them, the provision for Federal income taxes for the years ended January 31, 1960, 1961, 1962, 1963, 1964 and 1965 would be increased by approximately \$280,000, \$180,000, \$160,000, \$160,000, \$160,000 and \$20,000, respectively, exclusive of interest. No provision for additional Federal income taxes has been made for the foregoing with respect to the years under tax examination and subsequent years. The ultimate disposition of such matters cannot presently be predicted; however, the Company is of the opinion that such disposition should have no material effect upon the accompanying financial statements.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

**Note E** — Dividends declared, as shown in the accompanying consolidated statement of stockholders' equity, consist of cash dividends of \$1,109,080 and, based upon market quotation, a 4% stock dividend of \$3,260,073 of which \$57,699 is payable in cash in lieu of fractional shares. The aggregate par value (\$120,029) of the shares issuable in connection with such stock dividend has been credited to Common Stock and the balance (\$3,082,345) has been credited to Capital Surplus.



**Note F** — During the year, the Company amended its stock option plan in order that options granted thereafter would qualify as "qualified stock options" under the Revenue Act of 1964. Under the amended plan, options for 33,695 shares may be granted to September 1971 at not less than fair market value at date of grant; the options would be exercisable 25% a year (on a cumulative basis) commencing one year from date of grant and would expire five years from date of grant. No options have been granted under the amended plan at January 31, 1965. Subsequent thereto, qualified options were granted for 15,900 shares at \$28.25 a share.

With respect to options previously granted, during the year options (1) lapsed for 3,176 shares and (2) were exercised for 8,138 shares resulting in credits to Common Stock (\$8,138) and Capital Surplus (\$239,045). At January 31, 1965, options were outstanding for the purchase of 132,590 shares at prices ranging from \$14.58 to \$18.47 a share.

**Note G** — Minimum annual rentals of real and personal property leased to the Company or to its subsidiaries amount to approximately \$8,800,000 plus, in certain instances, additional rentals based upon sales and charges for real estate taxes, insurance, etc. Of the foregoing amount, \$1,800,000 expires prior to 1980, \$3,950,000 expires between 1980 and 1984, and \$3,050,000 expires after 1984.

**Note H** — During the year, the Company increased the authorized number of shares of Common Stock to 6,500,000 shares. In addition, it sold 200,000 shares of Common Stock for net cash of \$9,173,419 and issued 1,534,879 shares as a result of a 2-for-1 stock split; these transactions resulted in net credits to Capital Surplus (\$7,438,540) and Common Stock (\$1,734,879). Capital Surplus has also been credited with \$19,334 arising from the issuance of 500 shares of Treasury stock as a bonus to an employee.

**Note I** — In the opinion of management, pending litigation will not materially affect the accompanying consolidated financial statements.

At January 31, 1965, the Company is contingently liable for \$1,303,007 under an accommodation note (due December 1, 1988) that it issued in connection with a sale-leaseback during a prior year. This contingent liability is subject to reduction to the extent that the lessor makes required payments against a note issued by it.

Included in Other Assets is \$1,614,337, representing the Company's investment in 50% of the stock of another company whose function is to acquire properties, construct store buildings thereon and lease same to subsidiaries of the Company. In connection therewith, the Company has guaranteed

(to the extent of \$2,100,000 at April 13, 1965) the indebtedness to a bank of this 50% owned company. It is anticipated that this indebtedness will be refinanced on a long term basis and not subject to such guaranty.

**Note J** — The financial statements as at and for the year ended January 31, 1964, after a reclassification, are shown for comparative purposes only. Reference should be made to the previously issued annual report for such financial statements, and to the Accountants' Report thereon which includes a qualification of opinion.

## ACCOUNTANTS' REPORT

To the Board of Directors  
Interstate Department Stores, Inc.  
New York, N. Y.

We have examined the consolidated balance sheet of Interstate Department Stores, Inc., and subsidiary companies as at January 31, 1965, and the related consolidated statements of earnings and stockholders' equity and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the prior year's financial statements (see Note J).

In our opinion, subject to the outcome of the tax matters referred to in Note D, the accompanying consolidated balance sheet and consolidated statements of earnings and stockholders' equity, together with the notes to financial statements, present fairly the consolidated financial position of Interstate Department Stores, Inc., and subsidiary companies at January 31, 1965, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying consolidated statement of source and application of funds presents fairly the information shown therein.

S. D. LEIDESDORF & CO.  
*Certified Public Accountants*

New York, N. Y.  
April 13, 1965



## DISCOUNT STORES

### WHITE FRONT STORES

#### CALIFORNIA

Anaheim  
Canoga Park  
Concord  
Covina  
East Los Angeles  
Los Angeles  
West Los Angeles  
Oakland  
Ontario  
Pacoima  
Sacramento  
San Jose  
San Bernardino  
Sunnyvale  
Torrance  
Van Nuys

#### CONNECTICUT

Berlin  
Fairfield  
Hartford—Windsor  
East Hartford  
Middletown  
West Haven

#### ILLINOIS

Chicago—Addison  
Chicago—Arlington Heights  
Chicago—LaGrange  
Chicago—Morton Grove  
Chicago Heights  
Joliet  
Waukegan

#### INDIANA

Highland  
Indianapolis—38th Street  
Indianapolis—Speedway

### TOPPS STORES

#### KENTUCKY

Louisville—Algonquin Plaza  
Louisville—Hikes Point

#### MARYLAND

Baltimore

#### MASSACHUSETTS

Brockton  
Fall River (Kerr Mill  
Bargain Center)  
West Springfield

#### MICHIGAN

Detroit—Oak Park  
Detroit—Redford  
Detroit—Warren  
Kalamazoo  
Lansing

#### MINNESOTA

Minneapolis

#### NEW JERSEY

Totowa, Rt. 46

#### NEW YORK

Albany  
Buffalo—Cheektowaga  
Buffalo—Tonawanda  
Rochester

#### OHIO

Canton—Family Fair  
Cleveland—Maple Heights  
Cleveland—Mayfield Heights  
Cleveland—Parma Heights  
Toledo

#### PENNSYLVANIA

Coplay (Discount Fair)  
Lancaster (Maple Grove  
Bargain Center)

#### WISCONSIN

Green Bay  
Madison

## CONVENTIONAL DEPARTMENT STORES

#### ILLINOIS

Aurora Dry Goods Co.,  
Aurora  
Carroll House, Belleville  
Peoria Dry Goods, Peoria  
Rockford Dry Goods,  
Loves Park\*  
Rockford Dry Goods,  
Rockford  
Waukegan Dry Goods Co.,  
Waukegan

#### INDIANA

The Evansville Store,  
Evansville  
The Evansville Store,  
Lawndale\*  
Stillman's, Fort Wayne

#### Stillman's, South Gate\*

Hill's, Marion  
Stillman's, Muncie  
Hill's, Vincennes

#### KENTUCKY

Jefferson Dry Goods,  
Louisville  
Paducah Dry Goods Co.,  
Paducah

#### MICHIGAN

George W. Toeller Co.,  
Battle Creek  
The Fair, Flint\*  
Stillman's, Jackson  
Carroll House, Port Huron

#### NEW YORK

Boston Store, Latham\*  
Boston Store, Massena\*  
Stanley's, Troy  
Boston Store, Utica

#### OHIO

The Boston Store, Springfield

#### PENNSYLVANIA

Carroll House, Williamsport  
Stillman's, York

#### SOUTH CAROLINA

Bailes, Anderson

#### TENNESSEE

The Knox, Knoxville

#### VERMONT

Economy Department Store,  
Rutland

#### WEST VIRGINIA

The Huntington Store,  
Huntington

#### WISCONSIN

Fond du Lac Department  
Store, Fond du Lac  
Hill's Department Store,  
Sheboygan

\*Suburban Stores



